

0370 - Arkansas Public Employees Retirement System

Final Progress Report for the reporting period July 1, 2003 - June 30, 2004

Section I. Agency Update and Assessment

1. Emerging Issues at the Federal (National) or State level affecting the agency.

Nothing concrete at this time.

2. Status of any new initiatives funded from General Revenue or General Improvement funds in the 2003 Legislative Sessions and other changes made through General Legislation.

N/A - APERS receives 100% of funding via the System trust fund. We do not receive any general revenue or general improvement funds.

3. Discuss significant factors internal and external to the agency affecting agency performance.

New legislation passed during the 2003 legislative session requires the implementation of a new district judge's retirement system by 1/1/05, and to re-introduce the employee contribution element of the APERS retirement plan by 7/1/05. The number of new retirees increases significantly each year and that trend is expected to continue as more and more baby boomers reach retirement age. Concerns remain regarding the accuracy of FY 2002 and FY 2003 reporting of earnings and service and payment of employer matching for the AASIS-participating employers who have not completed reconciliations of their monthly earnings and service reports.

4. Provide comments on the usefulness and reliability of performance measures.

When we performed the calculations to determine the administrative cost per member and retiree of each retirement system, we realized that APERS was not recovering enough administrative costs from the State Police and Judicial Retirement Systems. We plan to increase their administrative reimbursements effective with the 06/07 biennium.

5. Discuss significant uses of line item flexibility in this report period (agencies operating under Performance-Based Appropriations only).

APERS did not need to utilize any line item transfers during FY04.

Section II. Performance Indicators**Program 1: Agency Operations**

Goal 1: To provide members and retirees with the highest level of benefits, customer service and accurate, timely information.

Objective 1: To maximize benefit levels and customer satisfaction of members and retirees through a high quality benefit program funded through the efficient administration of retirement legislation and the effective allocation and management of fund assets of the Arkansas Public Employees Retirement System.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percent of customers satisfied with accessibility, accuracy and timeliness of services. (APERS)	95%	98%	
2	Number of educational seminars for members. (APERS)	22 seminars per year	26	
3	Number of newsletters per year provided to members (APERS).	3 newsletters per year	3	
4	Number of agency proprietary systems administered. (APERS/ASPRS/AJRS)	2	2	
5	Administrative cost per active and retired member-APERS	\$58		Not available until actuarial data is received. See comment 1 below.
6	Number of performance measures achieved. (APERS/ASPRS/AJRS)	80%		Not available until Measure #5 is completed.
7	Agency information technology budget as a percent of total agency budget-APERS	20%	19%	
8	Number of prior year audit findings repeated in subsequent audit. (APERS/ASPRS/AJRS)	None	None	
9	Percent of public employers determined to be in compliance with the Social Security and Medicare coverage regulations applicable to public employees. (APERS)	75%	50%	See comment 2 below.
10	Percentage of investment transactions by external money managers reviewed/reconciled by agency staff. (APERS/ASPRS/AJRS)	100%	100%	

See next page for continuation of performance measures and comments

Performance measures and comments for Program 1, Objective 1 continued from previous page.

11	Percentage of investments reviewed on a quarterly basis for compliance with asset allocation as set by the Board of Trustees.	100%	100%
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Comments on performance matters related to Objective 1:

1. Preliminary actuarial data is received and reviewed in mid-August and the final data is completed in November. APERS will provide this data when completed and as needed for budget/legislative review.
2. The surveys sent to all public employers are still being reviewed for compliance with Social Security and Medicare coverage regulations. The audit process is approximately 50% complete and includes modifications submitted to SSA for those entities whose Section 218 agreement was not in compliance. The review process has been interrupted due to staff working with over 50 school districts involved in state-mandated consolidation over the last six months.

Program 1: Agency Operations

Goal 1: To provide members and retirees with the highest level of benefits, customer service and accurate, timely information.

Objective 2: To maximize benefit levels and customer satisfaction of members and retirees through a high quality benefit program funded through the efficient administration of retirement legislation and the effective allocation and management of fund assets of the Arkansas State Police Retirement System.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Administrative cost per active and retired member-APSR	\$70		Not available until actuarial data is received.
2	Agency information technology budget as a percent of total agency budget-ASPRS	8%	8%	
3	Number of agency proprietary systems administered. APERS/ASPRS/AJRS	2	2	
4	Number of prior year audit findings repeated in subsequent audit. APERS/ASPRS/AJRS	none	None	
5	Percentage of investment transactions by external money managers reviewed/reconciled by agency staff. APERS/ASPRS/AJRS	100%	100%	
6	Percentage of investments reviewed on a quarterly basis for compliance with asset allocation as set by the Board of Trustees. APERS/ASPRS/AJRS	100%	100%	
7	Number of performance measures achieved. APERS/ASPRS/AJRS	80%		Not available until Measure #1 is completed.

Comments on performance matters related to Objective 2:

Program 1: Agency Operations

Goal 1: To provide members and retirees with the highest level of benefits, customer service and accurate, timely information.

Objective 3: To maximize benefit levels and customer satisfaction of members and retirees through a high quality benefit program funded through the efficient administration of retirement legislation and the effective allocation and management of fund assets of the Arkansas Judicial Retirement System.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Administrative cost per active and retired member-AJRS	\$231		Not available until actuarial data is received. Please see comment.
2	Agency information technology budget as a percent of total agency budget-AJRS	10%	10%	
3	Number of agency proprietary systems administered. APERS/ASPRS/AJRS	2	2	
4	Number of performance measures achieved. APERS/ASPRS/AJRS	80%		Not available until Measure #1 is completed.
5	Number of prior year audit findings repeated in subsequent audit. APERS/ASPRS/AJRS	none	none	
6	Percentage of investment transactions by external money managers reviewed/reconciled by agency staff. APERS/ASPRS/AJRS	100%	100%	
7	Percentage of investments reviewed on a quarterly basis for compliance with asset allocation as set by the Board of Trustees	100%	100%	

Comments on performance matters related to Objective 3:

Preliminary actuarial data is received and reviewed in mid-August and the final data is completed in November. APERS will provide this data when completed and as needed for budget/legislative review.

Program 2: Benefit Payments

Goal 1: To provide for the accurate, timely payment of benefits/payouts to retired members/eligible beneficiaries and refunds to active/inactive members and employers.

Objective 1: To produce accurate and timely benefit payments for retired members or eligible beneficiaries via Automated Clearing House (ACH) payment methodologies and to produce accurate and timely benefit payments/payouts for retired members or eligible beneficiaries and refunds to active/inactive members and employers via the Arkansas State Treasury by administering and maintaining the integrity of the Arkansas Public Employees Retirement System membership database.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percent of member earnings, service and contributions recorded correctly in the membership database (APERS/ASPRS/AJRS).	97%	97%	
2	Percent of initial benefit payments made to a retired member or eligible beneficiary at their requested retirement date or within 30 days of the receipt of required documentation.	100%	100%	

Comments on performance matters related to Objective 1:

Program 2: Benefit Payments

Goal 1: To provide for the accurate, timely payment of benefits/payouts to retired members/eligible beneficiaries and refunds to active/inactive members and employers.

Objective 2: To produce accurate and timely benefit payments for retired members or eligible beneficiaries via Automated Clearing House (ACH) payment methodologies and to produce accurate and timely benefit payments/payouts for retired members or eligible beneficiaries and refunds to active/inactive members and employers via the Arkansas State Treasury by administering and maintaining the integrity of the Arkansas State Police Retirement System membership database.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percent of member earnings, service and contributions recorded correctly in the membership database. APERS/ASPRS/AJRS	97%	99%	
2	Percent of initial benefit payments made to a retired member or eligible beneficiary at their requested retirement date or within 30 days of the receipt of required documentation. APERS/ASPRS/AJRS	100%	100%	

Comments on performance matters related to Objective 2:

Program 2: Benefit Payments

Goal 1: To provide for the accurate, timely payment of benefits/payouts to retired members/eligible beneficiaries and refunds to active/inactive members and employers.

Objective 3: To produce accurate and timely benefit payments for retired members or eligible beneficiaries via Automated Clearing House (ACH) payment methodologies and to produce accurate and timely benefit payments/payouts for retired members or eligible beneficiaries and refunds to active/inactive members and employers via the Arkansas State Treasury by administering and maintaining the integrity of the Arkansas Judicial Retirement System membership database.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percent of member earnings, service and contributions recorded correctly in the membership database. APERS/ASPRS/AJRS	97%	100%	
2	Percent of initial benefit payments made to a retired member or eligible beneficiary at their requested retirement date or within 30 days of the receipt of required documentation. APERS/ASPRS/AJRS	100%	100%	

Comments on performance matters related to Objective 3:

Public Employees Retirement System

Section III. Fiscal Summary

Program 1: Agency Operations/Administration *

Commitment Item	Legislative Recommendations Budget Manual - FY04	FY04 Expenditures
Regular Salaries	\$ 1,926,578.00	\$ 1,892,174.92
Extra Help	\$ 25,000.00	\$ 7,315.30
Personal Services Matching	\$ 516,258.00	\$ 487,874.50
Maintenance and Operations	\$ -	
Operating Expenses	\$ 788,513.00	\$ 678,560.21
Conference Fees & Travel	\$ 42,500.00	\$ 16,995.41
Professional Fees & Services	\$ 5,405,788.00	\$ 1,790,946.92
Capital Outlay	\$ 25,000.00	\$ 20,134.57
Data Processing **	\$ 2,045,500.00	\$ -
Grants	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
	\$ -	
Total	\$ 10,775,137.00	\$ 4,894,001.83

Funding Source	Legislative Recommendations Budget Manual - FY04	FY04 Receipts
General Revenue		
Federal Revenue		
Special Revenue		
Trust Revenue ***	\$ 10,775,137.00	\$ 4,900,000.00
Other Revenue		
Total	\$ 10,775,137.00	\$ 4,900,000.00

* The Public Employees Retirement System will assume benefits administration for the District Judicial Retirement as of January, 2005.

** The Data Processing line item amount of \$2,045,500 should now be included within Prof Fees and Services line item.

*** The trust revenue estimates attributable to PBAS Program #1 are estimates. We request that all trust fund receipts be reported under one program, Program #2.

Section III. Fiscal Summary
Program 2: Benefit Payments

Commitment Item	Legislative Recommendations Budget Manual - FY04	FY04 Expenditures
Regular Salaries		
Extra Help		
Personal Services Matching		
Maintenance and Operations		
Operating Expenses		
Conference Fees & Travel		
Professional Fees & Services		
Capital Outlay		
Data Processing		
Grants		
Pension/Retirement/Benefits	\$ 259,500,000.00	\$ 192,538,744.29
Refunds/Reimbursements	\$ -	\$ 15,875,765.44
Total	\$ 259,500,000.00	\$ 208,414,509.73

Funding Source	Legislative Recommendations Budget Manual - FY04	FY04 Receipts
General Revenue		
Federal Revenue		
Special Revenue		
Trust Revenue	\$ 259,500,000.00	\$ 210,000,000.00
Other Revenue		
Total	\$ 259,500,000.00	\$ 210,000,000.00